The Economic Plight of Inner-city Black Males*

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Congressman Davis and Congressman Waxman, I am pleased to have this opportunity to address this important committee. I would like to congratulate Congresswomen Eleanor Holmes Norton for establishing the Commission on Black Men and Boys. Congresswoman Norton is a real visionary and I hope that her efforts represent a major step toward addressing a serious domestic problem—the social and economic decline of African-American males. In my presentation, I would like to focus particularly on the employment woes of low-skilled black males.

The Problem

In the last three decades, low-skilled African-American males have encountered increasing difficulty gaining access to jobs, even menial jobs. Although the employment and wages of all low-skilled workers improved during the economic boom period of the late 1990s and into 2000, the country is now in a jobless recovery. Jobless rates, especially those in the inner city,

are on the rise once again. The ranks of idle street-corner men have swelled since the early 1970s, and include a growing proportion of adult males who routinely work in and tolerate low-wage jobs when they are available (Wilson 1996).

What has caused the deterioration in the employment prospects of low-skilled black males? Although blacks continue to confront racial barriers in the labor market, many inner-city African-American workers have been victimized by the decreased relative demand for low-skilled labor. The computer revolution (i.e., the spread of new technologies) is displacing low-skilled workers and rewarding the more highly trained; and the growing internationalization of economic activity has increasingly pitted low-skilled workers in the United States against low-skilled workers around the world. These changes have benefited highly educated or highly skilled workers, while lower- skilled workers face the growing threat of eroding wages and job displacement (Katz 1996 and Schwartzman 1997).

One of the legacies of historic racism in America is a disproportionate number of African American workers who are unskilled. Accordingly, the decreased relative demand for low-skilled labor has had a greater adverse impact on blacks than on whites. Whereas the number of skilled African Americans (including managers, professionals and technicians) has markedly increased in the last few years, the proportion of those who are unskilled is still relatively large. Why? Because the black population, held back by the

cumulative experiences of racial restrictions, was overwhelmingly unskilled as late as the mid-20th century (Schwartzman 1997).

Recent research into the urban labor market by the economist Harry Holzer (1996) demonstrates the magnitude of the problem. Based on a survey of 3,000 employers in Atlanta, Boston, Detroit, and Los Angeles, Holzer reported that only 5 to 10 percent of the jobs in central-city areas for non-college graduates require very few cognitive skills or work credentials. A much greater premium is being placed on workers who have the basic skills of writing, reading, and performing arithmetic calculations, and who also know how to operate a computer. Moreover, most employers in Holzer's study indicated that they require a high school degree, job references, and particular kinds of work experience. Given the oversupply of unskilled workers relative to the number of low-skill jobs, many poorly trained and low-educated individuals experience difficulty landing jobs even in a strong local economy (Holzer 1996 and Center on Budget and Policy Priorities, 1996). This is especially true for black men.

In addition, over the past several decades low-skilled black males have been displaced disproportionately from the manufacturing sector, a trend that has continued up to today, as black males have lost more than 300,000 manufacturing jobs since 2001, the sharpest job loss in percentage terms of any ethnic group. Today, most of the new jobs for workers with limited education and experience are in the service sector, which hires relatively

more women. The movement of lower-skilled men into the growth sectors of the economy has been slow. For example, only a small percentage of men have penetrated pink-collar jobs like practical nursing in recent years. Indeed, the striking gender differences in recent job growth are partly due to the large concentration of women in the expanding social service sector. Lower-educated women, unlike their male counterparts, are working more, not less, than in previous years. The employment patterns of lower-educated women, like those with higher training and education, reflect the growth of social service industries (Lerman and Rein forthcoming).

For inner-city black male workers, the problems created by the decreased relative demand for labor have been aggravated by negative employer attitudes. Interviews of a representative sample of Chicago-area employers by my research team in the late 1980s revealed that a substantial majority considered inner-city black males to be either uneducated, uncooperative, unstable, or dishonest (Wilson 1996). For example, a suburban drug store manager commented:

> It's unfortunate but, in my business I think overall [black men] tend to be known to be dishonest. I think that's too bad but that's the image they have. (*Interviewer*: So you think it's an image problem?) *Respondent*: An image problem of being dishonest men and lazy. They're known to be lazy. They are [laughs]. I hate to tell you, but. It's all an image though. Whether they are or not, I don't know, but,

it's an image that is perceived, (*Interviewer*: I see. How do you think that image was developed?) *Respondent:* Go look in the jails [laughs].

A suburban employer of an electrical services firm, concerned about theft, offered the following unique explanation for why he would not hire an inner-city black male:

> If you're in a white neighborhood . . . and you have a manufacturing firm and a ghetto person comes there to apply, it doesn't make any difference what color his skin is... if you know that's where he's from you know several things. One is that if you give him a job there, he's going to be unbelievably pressured to give information to his peer group in the ghetto. . . about the security system, the comings and goings of what's of value there that we could rip off. He's not a crook. He wants no part of it. But he lives in an area where he may be physically or in danger of his life if he doesn't provide the information to the people that live around him. As a manager, I know that. And I'm not going to hire him because of that. I'm not discriminating against him because he's black, I'm discriminating against him because he has a problem that he's going to bring [it] to me. Now the fact that he is black and it happens that the people around him are black is only coincidental. In Warsaw they were Jews. They had the same problem.

A president of an inner-city manufacturing firm expressed a different reservation about employing black males from certain ghetto neighborhoods:

> If somebody gave me their address, uh, Cabrini Green I might unavoidably have some concerns. *Interviewer:* What would your concerns be? *Respondent:* That the poor guy probably would be frequently unable to get to work and . . . I probably would watch him more carefully even if it wasn't fair, than I would with somebody else. I know what I should do though is recognize that here's a guy that is trying to get out of his situation and probably will work harder than somebody else who's already out of there and he might be the best one around here. But I, I think I would have to struggle accepting that premise at the beginning.

Because of the prevalence of such attitudes, the lack of access to informal job networks is a notable problem for black males, as suggested by the following employer's comments to our interviewer:

> All of a sudden, they take a look at a guy, and unless he's got an in, the reason why I hired this black kid the last time is cause my neighbor said to me, yeah I used him for a few [days], he's good, and I said, you know what, I'm going to take a chance. But it was a recommendation, But other than that, I've got a walk-in, and, who knows? And I think that for the most part, a guy sees a black man, he's a bit hesitant, because I don't know.

Such attitudes are classic examples of what economists call statistical discrimination: employers make <u>general</u> assumptions about inner-city black

male workers and reach decisions based on those assumptions without reviewing systematically the qualifications of an individual applicant. The net effect is that many inner-city black male applicants are never given the opportunity to prove their qualifications on an individual level. Although it is true that some of these men eschew entry-level jobs because of the working conditions and low wages, many others would readily accept such employment. Statistical discrimination, although representing elements of class bias against poor inner-city workers, is clearly a racial practice. Far more inner-city black males are effectively screened out of employment than Latino or white males applying for the same jobs (Wilson 1996).

Unfortunately, the negative effects of employer perceptions of inner-city black males have been compounded by the restructuring of the economy. The increasing shift to service industries has resulted in a greater demand for workers who can effectively serve and relate to the consumer. Many employers feel that unlike women and immigrants, who have recently expanded the labor pool in the low-wage service sector, inner-city black males lack such qualities. Consequently, their rejection in the labor market gradually grows over time.

This is especially the case for the low-skilled black males who have prison records. The ranks of ex-offenders have increased significantly in the past several decades because rates of incarceration have soared even during periods when the crime rate had declined. Ex-offenders have a much more

difficult time finding employment. According to one estimate, probably 30 percent of all civilian young adult black males (16 to 34) are ex-offenders (Holzer, Offner and Sorensen, 1930).

To repeat, because of the decreased relative demand for low-skill labor, inner-city black males, including ex-offenders, are forced to turn to the low-wage service sector for employment, where they compete, often unsuccessfully, with the growing number of female and immigrant workers. The more these men complain or manifest their job dissatisfaction, the less attractive they seem to employers. They therefore encounter greater discrimination when they search for employment and clash more often with supervisors when they are hired. The expressed feelings of many inner-city black males about their jobs and job prospects reflect their plummeting position in a changing economy (Wilson 1996).

The economic woes of low-skilled black males, like the economic problems of all disadvantaged workers, subside in a strong economy featuring a tight labor market. The problem is that in recent years tight labor markets have been of relatively short duration, frequently followed by a recession that either wiped out previous gains for many workers or did not allow others to fully recover from a previous period of economic stagnation. It would take sustained tight labor markets over many years to draw back those discouraged inner-city workers who have dropped out of the labor market altogether, some for very long periods of time.

In this connection, the nation recently concluded one of the longest economic recoveries in the last half century. During that recovery disadvantaged groups advanced economically. Real wage growth for low-skilled workers was quite impressive from 1996 to 2000. For example, except for male workers at the ninetieth percentile of the wage distribution, those at the thirtieth percentile and below experienced the highest percentage hourly wage increase during this period. Increases in the minimum wage during President Clinton's second term in office and unexpectedly low inflation help to account for some of this wage growth, but the prolonged strong economy undoubtedly contributed.

Also, the ranks of those in the labor market who are out of work for more than six months—the long-term jobless-- declined from almost two million in January 1993 to about 700,000 in December of 2000. Moreover, the unemployment rate of high school dropouts declined from 12 percent in 1992 to just 6 percent at the end of year 2000. Most of this decline occurred between 1997 and 2000. Furthermore, the black unemployment rate dipped to 7 percent in 2000, the lowest since the Bureau of Labor Statistics began compiling comparable unemployment data by race in 1972 (U.S. Bureau of Labor Statistics, 2000).

The positive effects of these changes are seen in even the most depressed neighborhoods of the city. A study of low-wage workers in 322 metropolitan areas, by the economists Richard Freeman and William M. Rogers, reveals

that black men aged 16 to 24 with a high school education or less--including many with prison records--were employed in greater numbers, earned larger paychecks and committed far fewer crimes than in the early 1990s (Freeman and Rogers 2000).

The benefits of a strong economy, particularly a sustained tight labor market, for low-skilled workers should be emphasized in economic policy discussions. Unlike the situation for workers in a tight labor market, in a slack labor market—a labor market with high unemployment—employers are, indeed can afford to be, more selective in recruiting and in granting promotions. They overemphasize job prerequisites and exaggerate the value of experience. In such an economic climate, disadvantaged minorities, especially those with low levels of literacy, suffer disproportionately and employer discrimination rises.

In a tight labor market, on the other hand, job vacancies are numerous, unemployment is of short duration, and wages are higher. Moreover, in a tight labor market the labor force expands because increased job opportunities not only reduce unemployment, but also draw into the labor force those workers who, in periods when the labor market is slack, respond to fading job prospects by dropping out of the labor force altogether. Thus, in a tight labor market the status of all workers—including disadvantaged minorities—improves because of lower unemployment and higher wages (Tobin 1965).

However, since 2001, economic stagnation has set in—beginning with a recession and followed by a jobless recovery. And, cost of the Iraq recovery is adding to an already huge national deficit that will, according to many economists, exacerbate the faltering economy in the years ahead. This is unfortunate. If the recent economic boom could have been extended for several more years, it would have significantly lowered the overall jobless rate in areas such as the inner-city ghetto, not only for low-skilled workers still in the labor force but for those who have been outside the labor marker for many years as well.

But, given the decreased relative demand for low-skilled labor, what will happen to low-skilled inner-city males during a prolonged economic downturn? In the absence of employment policies to enhance the job prospects of disadvantaged groups, there is little reason to assume that their long-term prospects will be anything but bleak. Why? Simply because the economic trend that has twisted against low-skilled workers, whose effects have been muted somewhat by the prolonged recovery, is unlikely to reverse itself, thereby diminishing in the long term their job prospects and earnings.

The employment problems could reach the crisis level for many inner-city job applicants who are physically isolated from places of employment and socially isolated from the informal job networks that have become a major source of job placement. The growing suburbanization of jobs, both in

manufacturing and services, has cut off inner-city minorities from many work opportunities.

Unlike previous years, labor markets today are mainly regional, and long commutes in automobiles are common. Most ghetto residents cannot afford an automobile and therefore have to rely on public transit systems that make the connection between inner-city neighborhoods and suburban job locations difficult and time consuming. To make matters worse, many inner-city residents lack information or knowledge about suburban job opportunities. In the segregated inner-city ghettos the breakdown of the informal job information network aggravates the problems of job spatial mismatch (Wilson 1996).

All of these problems elevate the labor market woes of low-skilled black males, and over the long term affects their feelings about themselves and their relations with their families. Accordingly, it is important to link attitudinal and other cultural traits with the structure of opportunity. Among these cultural traits is the commitment to fatherhood. Indeed, the lack of commitment to fatherhood among many inner-city black males is a cultural problem that grows out of restricted opportunities and constraints. More specifically, many inner-city fathers today have low self-efficacy when it comes to fatherhood whether they are willing to admit it or not. Included among the norms of fatherhood is the obligation to provide adequate and consistent material support for your family. Continuing lack of success in the

labor market reduces the ability of many inner-city men to adequately support their children, which in turn lowers their self-confidence as providers, and creates antagonistic relations with the mothers of their children. Convenient rationalizations, shared and reinforced by the men in these restrictive economic situations, emerge that reject the institution of marriage in ways that enhance, not diminish, their self esteem. The outcome is a failure to meet the societal norms of fatherhood.

However, even non-custodial fathers who are employed and want to meet the responsibilities of fatherhood face the daunting problem of the heavy child support payments now required by federal law. The child support payments represent an employment tax of 36 percent of a worker's wages. And if the non-custodial father is in arrears, the federal law allows states to deduct as much as 65 percent of his wages. Many of those who face this higher tax are ex-offenders, whose delinquent child support payments accumulated while they were in prison. The high child support payment is a disincentive to remain in the formal labor market and an incentive to move into the casual or informal labor market (Holzer, Offner and Sorensen, 2003).

Public Policy Options

Even when the economy is strong special programs are needed to enhance the employment prospects of black males, especially those who reside in segregated and isolated inner-city neighborhoods. However, in a weak economy such programs

become crucial. I have identified a number of causes of the diminishing employment prospects of inner-city black males ranging from the decreased relative demand for low-skilled labor to the growth of regional labor markets. Let me now focus on some realistic programs that could enhance their employment prospects.

First of all, I think that it is really important to promote school-to-work transition in inner-city neighborhoods with the use of special internships and apprenticeships, especially for high school seniors. Accordingly to a report from the U.S. Bureau of Labor Statistics (1994), only 42 percent of black youths who had not enrolled in college had jobs in October after graduating from high school a few years earlier in June, compared with 69 percent of their white counterparts. The figure for black youngsters in inner-city neighborhoods, especially black males, are obviously even lower.

Moreover, programs such as the Jobs Corp and Youth Build should be expanded to help youth who are unemployed and in need of training and assistance in locating and securing jobs. Furthermore, skilled training programs, similar to STRIVE and Project Quest, that include both soft and hard skilled training, and job placement should be expanded. Restoring the cuts in the jobs training fund under the Workforce Investment Act would be helpful in this connection, as well as providing more funds to increase job placement and transportation programs, such as America Works, in inner-city neighborhoods (Giloth 2003).

Finally, we should review ways to relieve the work disincentives associated with the child support payments. For example, "various forms of 'arrearage

forgiveness' might be considered, especially for men who piled up arrears [in child support payments] while incarcerated or otherwise incapacitated" (Holzer, Offner and Sorensen, 2003).

Programs that focus on the cultural problems pertaining to fatherhood without confronting the broader and more fundamental issue of restricted economic opportunities have limited chances to succeed. In my view the most effective fatherhood programs in the inner city will be those that address attitudes, norms and behaviors in combination with local and national attempts to improve job prospects. Only then will fathers have a realistic chance to adequately care for their children and envision a better life for themselves.

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